

Kentucky Agricultural Development Board

Meeting Minutes

November 30, 2001

The Kentucky Agricultural Development Board met on Friday, November 30 at Noon; in the Second floor Board Room of the Health Services Building, in Frankfort. Harvey Mitchell, designee for Commissioner Billy Ray Smith, Vice Chairman, called the meeting to order, and the secretary called the roll.

Members Present:

Governor Paul E. Patton, Chairman; Harvey Mitchell designee for Commissioner Billy Ray Smith, Vice Chairman; John-Mark Hack, Executive Director; Vickie Yates Brown. Daniel Case; Larry Clay; Seth Conner; Susan Harkins; Sam Lawson; Dean Scott Smith; Sam Moore; Willa Poynter; Eddie Sellers; and Smith Mitchell, designee for Secretary Gene Strong.

Members Absent:

Wayne Hunt and Mike Slaughter.

Agricultural Development Board Staff Present:

David Bratcher, Penny Cline, Gordon Duke, Sandy Gardner, DeVon Hankins, Jeff Harper, Rhodes Johnston, Bill McCloskey, Chauncey Morris, Jeff Mosley, Joel Neaveill, and Lisa Thomas.

Notification of Media:

Mr. Mitchell received confirmation from John-Mark Hack that a media release regarding the Agricultural Development Board (ADB) meeting was sent.

Minutes of the October 19, 2001 & November 1, 2001 Meetings:

The minutes were approved as presented.

Executive Director's Report:

John-Mark Hack, Director, reviewed the day's agenda.

Director Hack updated the Board activities since the last meeting. He advised that progress on the Long-Term Plan was ongoing. Three of the six regional public forums had been held and the remaining three would be held on December 10 at the KIPTA ADD Office in Louisville; December 11 at the Maysville Community College in Maysville, and finally on December 12 at the Elizabethtown Community. On December 13, a reunion of the Louisville meeting invitee's, Issue Group participants, and others would be held at the Franklin County Cooperative Extension Service Office. He presented the power point presentation that had been shown at all of the regional meetings. Mr. Hack advised that The Plan had been well received and that feedback had been positive and constructive. Staff is incorporating changes into The Plan. He assured members that after public comments were incorporated into The Draft Plan, copies would be mailed to Board members in time for the Board to adopt the document at the January ADB meeting.

Board members discussed the best way to proceed with board finalization of The Plan. Some items that were discussed included, attaching funding levels & timelines for expected results; determine who will be responsible for putting the infrastructure in place; include investments in feasibility studies, producer education etc.; It was suggested that perhaps the Board should plan a two day retreat to focus on and complete the document.

Next the Director discussed the Kentucky Opportunity Marketplace conference scheduled for January. He advised that because of scheduling conflicts, the dates had been changed to January 28 & 29, 2002. On January 28, staff will hold a "County Council Congress" an educational forum and Q&A opportunity for all members of the County Agricultural Development Councils. The January 29, session will focus on educational tracts for producers. The public relations firm of Creative Alliance will assist with the promotion of the conference.

Referral of Project Proposals:

Sam Moore moved with a second from Seth Conner that projects numbered 693 - 775 be referred to Project Review Committee. The motion passed by voice vote.

Project Review Committees' Reports:

Sam Lawson & Vickie Yates Brown presented the Committees' reports. The Review Committees met on November 16, 2001, and made the following recommendations:

Approved Programs:

Sam Lawson stated that the Committees' recommended funding for the following Programs:

App #	County	Project Name	County Funds
627	Allen	Allen Co. Farm Bureau	\$80,000.00
695	Boyle	Boyle County Cattlemen's Assoc-Cattle Handling	\$52,520.00
647	Garrard	Garrard County Farm Bureau	\$113,400.00
707	Harrison	Harrison County Beef Cattle Association	\$103,500.00
677	Jackson	Jackson County Cattle Assoc - Cattle Handling	\$25,000.00
706	Mercer	Mercer County Cattlemen Assoc. Inc	\$96,000.00
658	Powell	Powell County Cattle Handling	\$36,750.00
688	Robertson	Robertson County Farm Bureau - Cattle Handling	\$210,000.00
625	Russell	Russell County Cattleman's Association	\$100,000.00
671	Trigg	Trigg County Cattlemen's Cattle Handling	\$27,600.00
703	Trimble	Trimble County Cattlemen's Association / Handling	\$104,200.00
11			\$948,970.00

Cattle Handling Cost Share Program**Forage Improvement Program**

App #	County	Project Name	County Funds
694	Boyle	Boyle County Cattlemen's Assoc-Forage	\$105,040.00
726	Caldwell	Caldwell County Conservation District	\$53,500.00
721	Garrard	Garrard County Farm Bureau	\$210,000.00
462	Grant	Grant County Cattlemen's Association	\$200,000.00
633	Green	Green County Conservation District	\$211,000.00
638	Green	Green County Farm Bureau - No-till drill	\$10,800.00
747	Henry	Henry County Boer Goat Association, Inc.	\$26,500.00
659	Morgan	Morgan County Ag Dev Council Forage Program	\$95,500.00
641	Owen	Owen Co. Farm Bureau Forage Subcommittee	\$265,000.00
736	Pendleton	Pendleton County Conservation District - Forage	\$125,000.00
656	Powell	Powell County Forage Improvement Program	\$63,600.00
690	Robertson	Robertson County Conservation District -	\$200,000.00

		Forage	
687	Rowan	Rowan County Soil Conservation District - Forage	\$26,750.00
672	Trigg	Trigg County Cattlemen's Forage Program	\$52,800.00
App #	County	Project Name	County Funds
704	Trimble	Trimble County Cattlemen's Association / Forage	\$104,200.00
15			\$1,749,690.00

Genetic Improvement Program

App #	County	Project Name	County Funds
693	Boyle	Boyle County Cattlemen's Assoc-Genetics	\$62,940.00
409	Grant	Grant County Cattlemen's Association	\$25,000.00
678	Jackson	Jackson County Cattle Assoc - Genetics	\$50,000.00
702	Nelson	Nelson County Conservation District	\$55,000.00
631	Perry	Mountain Cattlemen Assoc.	\$4,120.00
670	Trigg	Trigg County Cattlemen's Assoc Genetics Program	\$39,600.00
623	Trimble	Trimble Co. Cattlemen's Assoc., Inc.	\$41,600.00
7			\$278,260.00
App #	County	Project Name	County Funds
601	Woodford	Woodford Co. Agricultural Advancement Council, Inc.	\$200,000.00
1			\$200,000.00

Agricultural Diversification Program

County Animal Disposal Cost Share Program

App #	County	Project Name	County Funds
664	Christian	Christian County Fiscal Court Dead Animal Project	\$9,245.46
644	Franklin	Franklin Co. Conservation District	\$7,500.00
660	Mason	Mason County Fiscal Court	\$15,000.00
3			\$31,745.46

Sam Lawson moved with a second from Willa Poynter that the board adopt the committees' recommendations. The motion passed without objection.

Projects Recommended for Funding:

Project #425: Expanding Kentucky's Investment: Value Added Beef

State Funds: \$0.00 Logan County Funds: \$47,016.00

Mr. Lawson moved with a second from Sam Moore that the Board adopt the committee's recommendation. The motion passed by voice vote.

Project #459: Garrard County 4-H Council

State Funds: \$0.00 Garrard County Funds: \$4,800.00

Mr. Lawson moved with a second from Eddie Sellers that the Board adopt the committee's recommendation. The motion passed by voice vote.

Project #503: Equus Run Vineyards LLC

State Funds: \$253,825.00 Woodford County Funds: \$10,000.00

Mr. Lawson moved with a second from Smith Mitchell that the Board adopt the committee's recommendation. Eddie Sellers abstained citing potential conflict of interest. The motion passed by voice vote.

Project #626: Webster Co. High School Agriculture Department

State Funds: \$0.00 Webster County Funds: \$29,000.00

Ms. Brown moved with a second from Seth Conner that the Board adopt the committee's recommendation. The motion passed by voice vote.

Project #645: Western Hills High School Ag Dept.

State Funds: \$0.00 Franklin County Funds: \$42,000.00

Ms. Brown moved with a second from Larry Clay that the Board adopt the committee's recommendation. The motion passed by voice vote.

Project #655: Mingua Brothers Beef Jerky, Inc.

State Funds: \$0.00 Bourbon County Funds: \$12,000.00

Ms. Brown moved that the Board adopt the committee's recommendation that the project not be funded at the state level and to be funded at the county level.

In response to a question, John-Mark Hack advised that staff would meet with the project applicants regarding the use of Kentucky cattle in making their product. With a second from Eddie Sellers and Susan Harkins abstention, citing potential conflict of interest, the motion passed by voice vote.

Project #657: Kentucky Starr, LLC

State Funds: \$249,300.00

County Funds: \$0.00

Ms. Brown moved with a second from Seth Conner that the Board adopt the committee's recommendation. The motion passed by voice vote.

Project #662: Owen County Farm Bureau Forage Equipment

State Funds: \$0.00

Owen County Funds: \$44,200.00

Ms. Brown moved with a second from Dean Smith that the Board adopt the committee's recommendation. The motion passed by voice vote.

Project #665: Christian County HS & Hopkinsville HS Ag Dept

State Funds: \$0.00

Christian County Funds: \$10,730.00

Mr. Lawson moved with a second from Larry Clay that the Board adopt the committee's recommendation. The motion passed by voice vote.

Project #668: Roger Boyd, Jr.

State Funds: \$0.00

Trigg County Funds: \$4,000.00

Mr. Lawson moved with a second from Seth Conner that the Board adopt the committee's recommendation. The motion passed by voice vote.

Project #725: Roger Boyd, Jr.

State Funds: \$0.00

Caldwell County Funds: \$4,000.00

Mr. Lawson moved with a second from Eddie Sellers that the Board adopt the committee's recommendation. The motion passed by voice vote.

Project #682: Louisville Area Business Analysis Group, Inc.

State Funds: \$0.00

Oldham County Funds: \$3,000.00

Mr. Lawson moved with a second from Seth Conner that the Board adopt the committee's recommendation. Dean Smith abstained citing potential conflict of interest. The motion passed by voice vote.

Project #684: Kentucky West Nursery Coop, Inc.

State Funds: \$796,596.00

County Funds: \$145,000 as follows:

Ballard County \$50,000; Calloway County \$50,000; Graves County \$35,000; and Hickman County \$10,000.

Mr. Lawson advised that on the Term Sheet under conditions, board members should add: "In each year that the cooperative has an outstanding loan balance, Kentucky West Nursery Cooperative, Inc. will set aside one-third of the new acres planted for new grower members. New grower members will be limited to one acre in the first year of membership." Mr. Lawson advised that this was added to allow more members of the community to participate in the cooperative.

Danny Case pointed out that the county name on the term sheet should be changed from Grant to Graves.

Mr. Lawson moved with a second from Dean Smith that the Board adopt the committee's recommendation.

There was discussion. Dean Smith inquired about the criteria utilized to establish the three-percent percentage rate and if the Board was willing to set a precedent in establishing itself as a lending body. David Bratcher advised that a program used in the Economic Development Cabinet was used as a model to determine the percentage rate. Regarding setting a precedent as a lending body; the ADB is plowing new ground in that this mechanism would allow funds to flow back into the Agricultural Development Fund for reinvestment. Mr. Bratcher stated that the Kentucky Agriculture Finance Corporation, established by statute, while not operational at this time, was created to handle this type of funding mechanism and could quickly be reactivated and operational. This would essentially create a revolving loan fund.

Johnny Stockdale & Will Ed Clark, project applicants advised that they had not had an opportunity to discuss the ADB Board proposed three-percent interest loan with the co-op board. Mr. Clark stated that he believed this ADB Board proposed interest rate would most likely kill the project.

David Bratcher reminded everyone that the County Diversification Program required a four-percent loan component.

Danny Case moved with a second from Eddie Sellers that the project be tabled in order to give the applicants opportunity to talk with their board members & for additional ADB review. The motion failed; 4 yea; 6 nay votes.

Sam Moore moved with a second by Susan Harkins to amend the motion to approve, to state, "approval be subject to Kentucky West Nursery Cooperative, Inc., accepting the terms and conditions previously stated."

The amendment passed unanimously by voice vote.

The original motion as amended passed unanimously by voice vote.

Project #686: Kentucky Thoroughbred Owners and Breeders

State Funds: \$271,200.00 County Funds: \$40,000.00 approved as follows: Bourbon County \$10,000; Fayette County \$10,000; Jessamine County \$10,000; and Woodford County \$10,000.

Mr. Lawson moved with a second from Susan Harkins that the Board adopt the committee's recommendation. Dean Smith abstained citing potential conflict of interest and removed himself from the room. The motion passed by voice vote.

Project #748: Henry County Boer Goat Association, Inc.

State Funds: \$0.00 Henry County Funds: \$4,000.00

Ms. Brown pointed out a change on the Term Sheet. She advised that the County Funds Requested should be changed to \$4,000. Ms. Brown moved with a second from Eddie Sellers that the Board adopt the committee's recommendation. The motion passed by voice vote.

Amendments:

Project #4: West Kentucky Grower's Coop

State Funds: \$1,734,000 County Funds: \$0.00

Mr. Lawson reviewed terms and moved for approval based upon those terms. Mr. Lawson noted that this project was originally funded in February, 2001 and this is "Phase II." It will expand existing facilities by purchasing the existing 10 acres of land that are currently being leased. Additionally, they are purchasing 156 acres next to the facility.

The 10 acre tract is 1.5 million. The additional acreage is \$468,000.00. The Co-op will also secure a \$500,000.00 credit line for a total project of \$2,468,000.00.

Funding shall be as follows:

1. \$1.5 million---loan with Board;
2. \$234,000.00-loan with private bank;
3. \$234,000.00-addition to forgivable loan with Board;
4. \$500,000.00---credit line with bank.

Board will take a mortgage on the real estate but be subordinated to the bank. Bank shall first collect all receivables before liquidating real estate. Joe Cecil of the W. KY Co-op informed the Board that the W. Ky. Board was uncomfortable with the terms as presented and requested the Board to consider alternate terms. The terms proposed were to borrow 1.5 million dollars and pay back \$750,000.00 over 20 years.

David Bratcher asked if, under those terms, the \$750,000.00 not paid back was a “gift”?

Inaudible

Mr. Lawson commented that the Co-op should not be able to declare dividends and pay their members with this money. Mr. Cecil responded that they did not want to have to raise their charge to growers to pay back debt.

Mr. Lawson commented that the goal was to get the co-op to stand on its own two feet without help from the Board of any other agency.

Gordon Duke commented that one of the principal goals of the Agricultural Development Funds was to bring additional funding to the table, i.e. capital access. The Co-op should seek alternative funds during the life of the loan to pay back the debt.

Mr. Duke also commented that the Co-op has a pressing need for the funds due to the presence of a hydrocooler that was previously funded by the Board. The Co-op has a lease, which expires 12-31-01 and the terms of that lease call for equipment in that building to become the property of the landlord. The goal is to help the Co-op by extending the lease 90-120 days to protect the Board's prior investment.

The Co-op has looked at other property and not come up with any feasible alternatives. Further, this property was made for the purpose for which it is being utilized.

Danny Case asked whether the lease term was considered when the initial funding was approved.

Mr. Duke noted that this issue has been wrestled with since day 1. Susan Harkins agreed with Gordon that the lease issue was in the Co-op's original business plan and that the Board was aware of it.

Acting Chairman Harvey Mitchell asked if Board members understood what they were voting on?

Willa Poynter suggested that the Co-op's original business plan was not very good.

Seth Conner commented that the Board funded this project and approved it knowing about this issue and that if the Co-op is not helped they could lose the hydrocooler.

Eddie Sellers commented that there could be recovery costs for the cooler. Mr. Duke Gordon responded by saying that if the cooler is gone the Co-op is out of business.

Mr. Conner inquired as to whether the contract with Pioneer was going well? Mr. Cecil responded that it was.

Sam Moore inquired as to whether the W. Ky. Co-op Board would approve the terms as presented? Mr. Cecil responded that the Co-op did not want to keep coming back to the Board. Mr. Cecil commented that moving the cooler out would be very expensive as well and that it could not be moved by 12-31-01.

Ms. Harkins reviewed the terms. Mr. Cecil commented on the additional acreage. It would be used for growing crops on site, i.e. a farmer training program.

Mr. Lawson commented that if you cannot pay the debt service, why do you need the extra 156 acres?

John-Mark Hack commented that this Co-op has been successful.

Acting Chairman Mitchell reminded the Board of Mr. Lawson's pending motion before them. Ms. Harkins recommended that the Board move on with the terms as presented and let the Co-op come back to the Board later, if necessary.

Mr. Conner noted that the Co-op could go back to the landlord with something under those circumstances.

Mr. Sellers inquired if the terms were the same as presented to the Western Kentucky Nursery? Mr. Bratcher noted the difference in payback terms was based upon the fact that the Nursery would have no income for the first couple of years.

Mr. Sellers again inquired if the deal was the same for both? Mr. Duke responded that the terms were the same except for the payback mechanism. Ms. Harkins noted that the businesses are completely different and in different stages of development and that is why the differing payback terms are justified.

Acting Chairman Mitchell called for the vote on the original recommendation. The Board passed it unanimously.

Project #7: Central Kentucky Grower's Coop

State Funds: \$0.00 County Funds: \$38,000.00 approved as follows: Bath County \$3,000; Bourbon County \$10,000; Clark County \$5,000; Harrison County \$5,000; and Scott County \$15,000.

Mr. Lawson advised that since approval of the original proposal, five additional counties had requested approval of county funding for the coop. Mr. Lawson moved with a second from Willa Poynter that the Board approve the county funds. The motion passed by voice vote.

Project #87: Purchase Area Aquaculture Coop & County Funds Amendment

State Funds: \$0.00 Graves County Funds: \$100,000.00

Mr. Lawson advised that since approval of the original proposal, Graves County Agricultural Council had requested approval of county funding for the coop. Mr. Lawson moved with a second from Smith Mitchell that the Board approve the county funds. The motion passed by voice vote.

Green River Marketing Produce Coop

Mr. Hack advised that the Green River Marketing Produce Coop requested that they be allowed to withdraw their previously approved budget and resubmit an amended budget, which would allow more flexibility. The amended budget is expected to be on next month's agenda.

Applications on No Funding List that have been replaced by other projects:

Project #77 replaced by Project #555 which is a revised Genetics Program.

Project #107 - Proponent pieces are picked up by county cattle-handling, genetics, and forage programs.

Project #143 replaced by Project #312 that was funded.

Project #144 replaced by a revised forage application #345 and was funded.

Project #174 is an individual cattle-handling operation. Letters have been sent to the applicant requesting that he apply to the Green County Agricultural Development Council for funding by their county program.

Project #508 received low priority ranking from the county council.

Project #624 was withdrawn by the applicant and an amended application will be submitted.

#628 received low priority from the county council.

#630 additional clarification needed.

Applications Recommended for No Funding:

Mr. Lawson stated that the Project Review Committee recommended no funding for the following projects:

App #	Project Name	County
77	Muhlenberg County Cattleman's	Muhlenberg

	Association	
107	Edmonson County Cattleman's Assc.	Edmonson
143	Wolfe County Conservation District	Wolfe
144	Cumberland County Conservation District	Cumberland
174	Charles Noe	Green
508	Farmers Quality Meats, Inc.	Edmonson
624	Pulaski County Fiscal Court	Pulaski
628	Camp Cedar	Allen
630	Menifee Co. Soil Conservation District	Menifee
642	H & R Fencing	Henry
653	R & F Goats	Lee
663	Randy Hale	Christian
666	Kentucky Hay Exchange	Christian
669	Underhill Farms	Trigg
673	Bullitt County Coop Ext Serv	Bullitt
674	Bullitt County Coop Ext Serv	Bullitt
676	Darian Irvan	Marshall
679	Philip Becknell	Jackson
680	Annette Boggs	Jackson
681	Jackson County Board of Education	Jackson
689	Clinton Cumberland Cattlemen's Assoc - Genetics	Cumberland
692	Green County Ag Entrepreneurship Working Group	Green
696	Ray A. & Billie Jo Graves	Boyle
700	Farmers Quality Meats, Inc.	Grayson

Sam Lawson moved with a second from Danny Case that the Board adopt the committee's recommendation. The motion passed by voice vote.

With no further business the meeting adjourned.